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ABSTRACT

This report recommends a new poverty indicator to use when distributing Disadvantaged Pupil Impact Aid (DPIA) to Ohio school districts. It also describes the implications of substituting the new indicator in the current formulas used to calculate DPIA funding. Ohio school districts receive DPIA, based on earlier aid programs, to provide all-day kindergarten, to reduce class size, and to provide safety, security, and remediation programs. Traditionally, program funding was based on the percentage of students from families whose incomes were at or below the poverty line, but in the mid-1970s the program was expanded to include smaller city and rural school districts. More stringent welfare program requirements and impending time limits have caused enrollment in Ohio's cash assistance program to become less reflective of the actual number of families living in poverty. Two new indicators were considered worth study: enrollment in medical programs and enrollment in four public assistance program areas. The latter was found to be the better indicator of poverty because it most accurately captures the number of children from poor families and it is relatively stable over time. The new indicator was compared to enrollment in case assistance and medical programs. The finding was that more children would be identified, more districts would be eligible for DPIA, and the overall cost to the state would increase. This report recommends adoption of this new indicator for funding purposes. Five appendixes contain a description of DPIA categories, a bibliography, a list of possible poverty indicators, calculations of DPIA, and the calculations and procedures used in the report. (Contains 28 references.) (SLD)

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# A New Poverty Indicator to Distribute Disadvantaged Pupil Impact Aid (DPIA)

ED 441 914

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The Legislative Office of Education Oversight (LOEO) serves as staff to the Legislative Committee on Education Oversight. Created by the Ohio General Assembly in 1989, the Office evaluates education-related activities funded by the state of Ohio. This LOEO report recommends a new indicator of poverty to use for distributing Disadvantaged Pupil Impact Aid to school districts. *Conclusions and recommendations in this report are those of the LOEO staff and do not necessarily reflect the views of the Committee or its members.*

This report is available at LOEO's web site: http://www.loeo.state.oh.us

## Summary

# A New Poverty Indicator to Distribute Disadvantaged Pupil Impact Aid (DPIA)

Ohio has provided additional funding to school districts with substantial proportions of students in poverty for 30 years. For the last 25 years, this program has been called Disadvantaged Pupil Impact Aid (DPIA).

**The DPIA program provides additional state funding to school districts with high proportions of students in poverty.**

Traditionally, program funding was based on the percentage of students from families whose incomes were at or below the federal poverty level. Only large city school districts originally received this funding, but the program was expanded in the mid-1970s to include smaller city and rural school districts.

DPIA was substantially revised in Am. Sub. H.B. 650 and Am. Sub. H.B. 770 of the 122nd General Assembly. Beginning in fiscal year 1999, districts received DPIA funding to provide all-day kindergarten, to reduce class size, and to provide safety, security, and remediation programs. The general purpose of these initiatives is to increase the amount of instructional attention students receive in grades K-3 and to provide a safe learning environment.

**DPIA funding to school districts has been based on the number of families enrolled in Ohio Works First.**

### The need for a new poverty indicator

The basis for distributing funds through DPIA has always been the concentration of school-age children from families receiving Aid to Dependent Children (ADC), the federal- and state-funded cash assistance program for poor families with children. However, cash assistance programs have changed recently due to welfare reform.

**Enrollment in Ohio Works First has become progressively less reflective of the actual number of families in poverty.**

In 1997, Ohio renamed its cash assistance program Ohio Works First (OWF). Since its peak in March 1992, the OWF (or ADC) *caseload* has decreased by 64%. More stringent welfare program requirements and impending time limits have caused OWF enrollment to become progressively less reflective of the actual number of families living in poverty. Recognizing this, the General Assembly asked the Legislative Office of Education Oversight (LOEO) to find a new indicator of poverty to use to distribute DPIA funds.

**Selecting a new indicator of poverty**

LOEO analyzed several potential indicators of children living in poverty, such as census data, free and reduced priced lunch, income tax data, and Federal Earned Income Credit (EIC). However, most of these options were too flawed to use as an indicator of poverty. LOEO concluded that only two alternatives were worth pursuing, both of which involve enrollment in public assistance programs: 1) enrollment in the medical programs; and 2) enrollment in four public assistance program areas.

**Among the potential indicators, LOEO concluded that enrollment in public assistance programs provides the most accuracy and stability.**

**Alternative 1: Enrollment in medical programs** counts children ages 5 to 17 who are enrolled in Medicaid, Healthy Start, or the Children's Health Insurance Program (CHIP). One of the benefits of including medical programs as part of a new poverty indicator is the strong federal, state, and local effort to increase the enrollment of eligible children in these programs.

Since time limits imposed by welfare reform do not apply to the medical programs, children remain eligible until age 18, unless their family income exceeds the requirements of the program. In addition, families that were participating in Ohio Works First (OWF) but not in the medical programs can enroll in the medical programs as they leave OWF. These features add both inclusiveness and stability to the count of school-age children in poverty.

**Alternative 2: Enrollment in four public assistance program areas** includes the enrollment in the medical programs and adds the enrollment in three other areas. These four program areas translate into a combination of seven different Ohio Department of Human Services (ODHS) programs. This alternative captures the unduplicated count of children ages 5 to 17 in four program areas serving families in poverty:

1. Cash assistance (Ohio Works First)
2. Food assistance
3. Disability assistance
4. Medical assistance (Medicaid, Healthy Start, and CHIP)

The enrollment is "unduplicated" because children enrolled in one program area are not counted as enrolled in any other program area for the purposes of this analysis. For example,

those counted as enrolled in Ohio Works First are not counted again, even if their families are also receiving medical assistance.

Compared to other indicators of poverty that LOEO examined, enrollment in public assistance programs provides a more accurate count of the number of people living in poverty. The incomes of participants are systematically verified, and since families legally must report increases in income that may change their eligibility status, this indicator also reflects families' movement in and out of poverty. These features make this indicator more accurate than a one-time count, such as the census.

Although some ODHS programs include children from families with incomes over 100% of the federal poverty level, LOEO isolated school-age children from families at or below 100% of the poverty level for this analysis. In 1999, the federal poverty level for a family of four was $16,700.

**LOEO found that enrollment in *four public assistance program areas* is the best available indicator of poverty.**

In sum, LOEO found that the *enrollment in four program areas* is the best available indicator of poverty because:

1. It most accurately captures the number of children ages 5 to 17 from families at or below 100% of the federal poverty level than other possible indicators pursued by LOEO. It identifies an estimated 157,000 more children than those identified using just Ohio Works First as the poverty indicator.

2. It is relatively stable over time because it includes multiple programs as well as programs that are not susceptible to the welfare reform time limits, and it still reflects families' movement in and out of poverty.

3. With some adjustments, the necessary data can be collected on an annual basis and used for distributing DPIA funding to school districts.

**The impact of the new poverty indicator**

**Using a more inclusive poverty indicator identifies more school-age children, which makes more school districts eligible for DPIA funding and increases program costs.**

To demonstrate the impact of the new poverty indicator, LOEO compared it to Ohio Works First and the medical programs. The result is that more children are identified, more school districts become eligible for DPIA programs, and the overall cost to the state increases.

In fiscal year 1999, 332 school districts received approximately $368 million in DPIA funding using OWF as the poverty indicator. By comparison, enrollment in the medical programs would have allowed 25 more school districts to be eligible for DPIA, resulting in a 7% ($24 million) increase in its cost. Enrollment in four program areas would have resulted in 54 more school districts being eligible for DPIA and a 17% ($60 million) increase in the total cost of DPIA. These figures are summarized below.

| Fiscal Year 1999 | Number of Children Identified* | Number of School Districts | Estimated Cost (in millions) |
|---|---|---|---|
| Ohio Works First | 234,828 | 332 | $368.2 |
| Medical Programs | 306,151 | 357 | $392.2 |
| Four Program Areas | 391,979 | 386 | $428.9 |

* Three-year average

**The more inclusive identification of poverty across the state lessens the relative concentration in the large city school districts.**

The enrollment in four program areas identifies more children living in poverty and thereby shifts the distribution of poverty across the state. This lessens the relative concentration of poverty in the large city school districts. Because the DPIA funding system takes into account a school district's proportion of students in poverty compared to the state average, a reduced concentration affects a school district's DPIA funding.

As a result, several large city school districts may receive less funding using the four program areas as the poverty indicator than they received in fiscal year 1999 using OWF. Since school districts are "guaranteed" only their fiscal year 1998 funding level, if a district's loss in funding does not drop as low as its fiscal year 1998 level, there is currently no mechanism to make up for its lost DPIA dollars.

**Since the DPIA funding system considers a school district's proportion of poverty compared to the state average, a reduced concentration could lower district funding.**

It is important to note that these LOEO figures are estimates of what it would have cost to fund the DPIA program at the maximum level in fiscal year 1999, assuming enough funding to provide all-day kindergarten to 100% of eligible students.

In order to replace enrollment in Ohio Works First with a new indicator of poverty, several implementation issues would have to be addressed by the Ohio Department of Human Services, as well as local school districts and county departments of human services.

**Recommendations**

LOEO recommends the Ohio General Assembly:

- Adopt the unduplicated enrollment of school-age children in *four public assistance program areas* as the poverty indicator for distributing Disadvantaged Pupil Impact Aid to school districts.

- Form a DPIA Task Force to address whether the current formulas used to determine school districts' DPIA funding should be adjusted, given the effects of using a new poverty indicator.

- Require the Ohio Department of Human Services to provide the annual enrollment data from four program areas for DPIA funding purposes.

LOEO also recommends:

- Local school districts and county departments of human services assign the school district of children participating in all four program areas in the same manner as they currently assign the school district of Ohio Works First participants.

## A New Poverty Indicator to Distribute Disadvantaged Pupil Impact Aid (DPIA)

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**COMMENTS**

# Chapter I
# Introduction

*This Legislative Office of Education Oversight report recommends a new poverty indicator to use to distribute Disadvantaged Pupil Impact Aid (DPIA) to Ohio school districts. It also describes the implications of substituting the new indicator in the current formulas used to calculate DPIA funding.*

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Ohio has provided additional funding to school districts with substantial proportions of students in poverty for 30 years. For the last 25 years, this program has been called Disadvantaged Pupil Impact Aid (DPIA).

**History of DPIA**

The Disadvantaged Pupil Impact Aid program began as the Municipal Overburden program. Created in 1970 by the 108th General Assembly, the program was designed to provide additional funding to school districts with relatively high concentrations of students living in poverty. Traditionally, funding was based on the percentage of students from families whose incomes were at or below the federal poverty level.

Initially, only large city districts received this additional funding because it was believed that the costs of operating schools are higher in large cities with large proportions of disadvantaged pupils. However, this approach was challenged in the mid-1970s and the program was expanded to include smaller city and rural districts with similar proportions of disadvantaged students.

In 1975, the 111th General Assembly replaced the Municipal Overburden program with the Disadvantaged Pupil Impact Aid Program and the Disadvantaged Pupil Program Fund (DPPF) in Am. Sub. S.B. 170. DPPF provided funding to school districts to design and operate special programs to improve the educational and cultural status of disadvantaged pupils. In 1995, DPPF was combined with DPIA in Am. Sub. H.B. 117 of the 121st General Assembly.

**Current DPIA programs**

Am. Sub. H.B. 650 and Am. Sub. H.B. 770 of the 122nd General Assembly revised the eligibility, disbursement, and spending requirements for DPIA. Beginning in fiscal year 1999, districts received DPIA funding to provide all-day kindergarten, to reduce class size, and to provide safety, security, and remediation programs. The general purpose of these initiatives is to increase the amount of instructional attention students receive in grades K-3 and to provide a safe learning environment.

The Ohio Revised Code defines ***all-day kindergarten*** as "a kindergarten class that is in session five days per week for not less than the same number of clock hours each day as for pupils in grades one through six." ***Class size reduction*** efforts are defined as increasing instructional attention by either reducing the ratio of students to instructional personnel or increasing the amount of instruction and curriculum-related activities by extending the length of the school day or year.

***Safety and security programs*** are designed to ensure that schools are free of drugs and violence and have a disciplined environment conducive to learning. ***Remediation programs*** are for students who have failed or are in danger of failing any of the state proficiency exams.

Appendix A describes the major restrictions on how school districts must spend their DPIA funds.

**The need for a new poverty indicator**

The basis for distributing funds through both the Municipal Overburden program and DPIA has always been the concentration of children ages 5 to 17 from families receiving Aid to Dependent Children (ADC), the federal- and state-funded cash assistance program for poor families with children. However, cash assistance programs have changed recently due to welfare reform.

Similar to other states, changes to Ohio's welfare laws occurred in combination with changes in federal law. The federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996 made dramatic changes to welfare programs by requiring recipients to work and limiting the length of time they can receive assistance. This welfare reform law also created a block grant to states called the Temporary Assistance for Needy Families (TANF).

In 1997, Ohio renamed its cash assistance program to Ohio Works First (OWF). Under the TANF guidelines, families enrolled in OWF may earn up to approximately 100% of the federal poverty level - $16,700 for a family of four in 1999.

Since its peak in March 1992, the OWF (or ADC) *caseload* has decreased by 64%. Although "caseload" includes both children and adults, the number of school-age children has experienced similar declines. More stringent welfare program requirements and impending time limits have caused OWF enrollment to become progressively less reflective of the actual number of people living in poverty.

Recognizing that OWF enrollment is less effective at identifying the school-age children in poverty, the General Assembly felt the need to find a new indicator of poverty to use to distribute DPIA funds.

In 1998, Am. Sub. H.B. 650 of the 122nd General Assembly required the Legislative Office of Education Oversight (LOEO) to:

> [I]ssue a report to the General Assembly to recommend a new indicator to be used to distribute resources to school districts with high concentrations of poverty and low-income families in order to address problems in the current Disadvantaged Pupil Impact Aid program related to the decrease in the number of Ohio Works First families.

**LOEO methods**

Based on the legislative charge, LOEO analyzed several potential indicators of children in poverty. LOEO also examined the behavior of the current DPIA funding system when substituting new poverty indicators.

As part of its deliberations, LOEO participated in a Technical Support Advisory Committee formed by the Ohio Department of Education (ODE) which was working on developing a new poverty indicator for *preschool* children. Although LOEO's charge pertained to finding a better indicator for *school-age* children, the representation of state and local agencies on the committee proved beneficial for both efforts. The Technical Support Advisory Committee included staff from ODE, Ohio Department of Human Services, the Council for Economic Opportunities of Greater Cleveland, the Ohio Department of Development, the Ohio Department of Taxation, and various county departments of human services.

LOEO also consulted numerous research reports and other documents which are listed in Appendix B.

## Chapter II
## Selecting among Different Indicators of Poverty

*This chapter describes the process LOEO used to select a new indicator of poverty for distributing Disadvantaged Pupil Impact Aid funding to school districts.*

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As noted, Disadvantaged Pupil Impact Aid (DPIA) funding to school districts is currently based on the number of school-age children from families participating in Ohio Works First (OWF). Since 1992, enrollment in OWF (formerly Aid to Dependent Children) has declined by 64%. An improved economy, more stringent welfare program requirements, and impending time limits have caused these reductions in OWF enrollment.

**Criteria for selecting a new poverty indicator**

Although enrollment in OWF has become an increasingly less accurate indicator of poverty, it has benefits worth considering when selecting a new poverty indicator. LOEO translated these strengths into the following criteria:

- Does the indicator most accurately capture the number of school-age children from families at or below 100% of the federal poverty level?
- Is the indicator relatively stable over time while still reflecting the movement of families in and out of poverty?
- Can the indicator be collected on an annual basis for DPIA funding purposes?

**Examining seven possible poverty indicators**

The Technical Support Advisory Committee generated a list of possible indicators of poverty for preschool and school-age children. LOEO applied its three criteria to evaluate the usefulness of each of those options as an indicator of poverty for school-age children:

1. Five-year average enrollment in Ohio Works First;
2. Free and reduced priced lunch;
3. Census data;
4. Income tax data;
5. Earned income tax credit;
6. Enrollment in the medical assistance programs (Medicaid, Healthy Start, and Children's Health Insurance Program); and
7. Enrollment in four program areas: cash assistance; food stamps; disability assistance; and medical assistance.

After applying the three criteria, LOEO concluded that the first five options were too flawed to be used as a new indicator of poverty. LOEO's concerns with each of these indicators are discussed in Appendix C.

LOEO concluded, however, that two options were worth pursing as viable indicators of poverty: 1) enrollment in the medical programs; and 2) enrollment in four program areas. Both of these options involve enrollment in Ohio Department of Human Services (ODHS) public assistance programs.

In comparison to other indicators that LOEO examined, such as census data, public assistance program enrollment data provide a more accurate count of the number of people living in poverty. Although there are some families who are not represented in these figures, no indicator captures 100% of this population.

In addition, the income eligibility of program participants is systematically verified before assistance is offered. Since families legally must report any increases in income that may change their eligibility for assistance, the enrollment in these programs is also a relatively accurate indicator of poverty over time. Families who desire these services receive them if their income meets the eligibility requirements and they become ineligible once their income rises above certain limits. An indicator that reflects families' movement in and out of poverty is preferred over a one-time count, such as the U.S. Census.

Moreover, program enrollment data are collected and maintained in a manner most closely resembling the form in which they are needed to distribute DPIA funding, more so than other indicators examined for this study. This "administrative convenience" is important, since these data would need to be collected and verified annually for DPIA funding purposes.

**Assistance programs for families in poverty**

In Ohio, there are seven possible combinations of ODHS *programs* in which families with children might enroll. LOEO categorized these programs into four overarching *program areas* that provide assistance to families in poverty: cash assistance; food assistance; disability assistance; and medical assistance. Exhibit 1 lists the broad program areas and the specific ODHS programs within each area.

**Exhibit 1**
**Four Program Areas and Seven ODHS Programs**
**Serving Children in Families in Poverty**

| Four Program Areas | Specific ODHS Programs |
|---|---|
| Cash Assistance | Ohio Works First with Food Stamps<br>Ohio Works First without Food Stamps |
| Food Assistance | Food Stamps |
| Disability Assistance | Disability Assistance |
| Medical Assistance | Medicaid<br>Healthy Start<br>Children's Health Insurance Program (CHIP) |

These Ohio Department of Human Services programs are a complex web of inter-related regulations. Each program has unique, yet overlapping, income eligibility requirements and target populations.

**Ohio Works First (OWF).** As noted, in 1997 Ohio Works First replaced Aid to Dependent Children (ADC) as the primary program for providing cash assistance to Ohio families with children living in poverty. Although ADC required recipients to participate in education and work-related activities that led to self-sufficiency, requirements under OWF became more stringent.

OWF also limits the length of the time recipients can receive assistance. The maximum time families can participate in OWF is three years (36 months). Families then remain ineligible for two years (24 months). Under special circumstances, families may receive a two-year extension to continue to participate in OWF.

**Food Stamps.** The federal Food Stamps program provides a monthly food allowance to low-income households or individuals to increase their food purchasing power. The goal of the program is to promote better health and nutrition.

**Disability Assistance.** The Disability Assistance program provides cash and/or medical assistance to individuals in poverty considered disabled due to age, pregnancy, medication dependency, or a physical or mental impairment.

**Medicaid.** Medicaid is a state- and federally-funded health insurance program primarily targeting families who are unable to afford health care.

The 1996 federal welfare reform law eliminated the link between Medicaid and cash assistance for families. Families who are not eligible for Ohio Works First may still qualify for Medicaid if they meet the income-eligibility standards. The OWF time limits do not apply to Medicaid. Both Healthy Start and the Children's Health Insurance Program (CHIP) are Medicaid programs.

**Healthy Start.** Healthy Start covers the Medicaid-eligible group of low-income pregnant women and young children. Since 1989, Healthy Start has covered pregnant women and children up to age 12 from families with incomes up to 185% of the federal poverty level. Healthy Start was expanded in 1998 to also cover children up to age 18 from families with incomes up to 150% of poverty. Eligible families with private health insurance can qualify for the Healthy Start program.

**Children's Health Insurance Program (CHIP).** Congress created the Children's Health Insurance Program in the Balanced Budget Act of 1997. CHIP, which serves children from families with incomes up to 150% of poverty, was created for children who do not have private health insurance. Specifically, CHIP provides health insurance to pregnant women and children from families with incomes too high to qualify for Medicaid but too low to afford private health insurance.

The principal difference between CHIP and Healthy Start is that CHIP recipients are not permitted to have private health insurance. Ohio plans to expand CHIP to cover families with incomes up to 200% of poverty by July 2000

To help children and families who lose their OWF benefits understand that they are still eligible for Medicaid, the federal

government set aside a $500 million fund in 1996 to help states pay for Medicaid outreach efforts. With Medicaid funds and other special grants, federal, state, and local agencies have launched a nationwide effort to enroll children in the Medicaid and CHIP programs. States can receive a matching rate as high as 90% from the Medicaid fund for certain outreach activities. As a result of outreach efforts and lack of time limits, more children become eligible for a longer period of time.

Medicaid, Healthy Start, and CHIP are collectively referred to as "medical programs" in this report.

**Comparing two alternative poverty indicators**

Although some of the ODHS programs include children from families with incomes over 100% of the federal poverty level, LOEO isolated children from families at or below 100% of the poverty level for this analysis. (In 1999, the federal poverty level for a family of four was $16,700.)

**Alternative 1: Enrollment in medical programs.** The first alternative focuses on counting children ages 5 to 17 who are enrolled in the medical programs (Medicaid, Healthy Start, or CHIP). Although some of these children *may* also participate in the other assistance programs, they are not included in this alternative unless they are also in one of these medical programs.

One of the benefits of including medical programs as part of the new poverty indicator is the strong federal, state, and local efforts to increase the enrollment of eligible children in these programs. Also, since the time limits imposed by welfare reform do not apply to the medical programs, children remain eligible for these programs until age 18, unless their family income exceeds the requirements of the program.

In addition, families that were participating in OWF but not in the medical programs can enroll in the medical programs as they leave OWF. These features add both inclusiveness and stability to the count of school-age children in poverty.

**Alternative 2: Enrollment in four program areas.** The second alternative includes the enrollment in the medical programs from the first alternative and adds the enrollment in three other areas. It captures the unduplicated enrollment of children ages 5 to 17 in *four* ODHS program areas serving families in poverty:

1. Cash assistance (Ohio Works First);
2. Food assistance;
3. Disability assistance; and
4. Medical assistance (Medicaid, Healthy Start and CHIP).

The enrollment is "unduplicated" because children enrolled in one program area are not counted as enrolled in any other program area for the purpose of this analysis. For example, those counted as enrolled in Ohio Works First are not counted again *even if* their families are also receiving medical assistance.

**Number of children captured by each alternative.** To consider which of these alternatives best meets the three criteria for a new poverty indicator, LOEO compared the number of children that would be captured by each alternative. Each alternative is also contrasted with the current

poverty indicator, enrollment in Ohio Works First.

Exhibit 2 compares the number of children ages 5 to 17 enrolled in Ohio Works First, the medical programs, and all four program areas for fiscal years 1997, 1998, and 1999. These figures include only children from families with incomes at or below 100% of the federal poverty level.

**********

**Exhibit 2**
**School-age Children Enrolled in Ohio Works First, Medical Programs, and the Four Program Areas**
**Fiscal Years 1997, 1998, 1999**

| | Ohio Works First only | Medical Programs* | Four Program Areas* |
|---|---|---|---|
| **FY 1997** | 255,742 | 317,036 | 385,966 |
| **FY 1998** | 246,840 | 297,878 | 377,232 |
| **FY 1999** | 201,903 | 303,540 | 412,738 |
| ***Three-year average*** | ***234,828*** | ***306,151*** | ***391,979*** |

* Children ages 5 to 17 whose family income is at or less than 100% of the federal poverty level.
**Source:** Ohio Department of Human Services

The number of school-age children captured by both alternatives greatly exceeds the number in OWF. Enrollment in the medical programs exceeds OWF by:

- 24% in 1997;
- 21% in 1998; and
- 50% in 1999.

Enrollment in four program areas exceeds OWF by:

- 51% in 1997;
- 53% in 1998; and
- 104% in 1999.

The substantial gap between the two alternatives and OWF is a result of declining enrollment in OWF, especially the precipitous drop in fiscal year 1999. These differences also illustrate how much more effective enrollment in multiple programs is at capturing children in poverty compared to using enrollment in the single OWF program. Although enrollment in the medical programs is an improvement over OWF enrollment, it is still less inclusive than enrollment in all four program areas.

Because census data are commonly used as a measure of poverty, LOEO compared these figures to the number of children ages 5 to 17 living in poverty reported in the 1990 U.S. Census. The 1990 Census, which is widely accepted to have *under-counted* the number of people living in poverty, reported approximately 17% of Ohio children in this age group as living in

poverty. In contrast, the three-year average program enrollment figures translate to the following percentages of school-age children living in poverty:

- All four program areas: 20%;
- Medical programs: 15%; and
- Ohio Works First: 12%.

**Advantage of the four program areas over the medical programs.** To address the problem of how to distribute DPIA funding given the decrease in the number of families participating in Ohio Works First, a number of school district superintendents advocate using enrollment in the medical programs as the new indicator of poverty.

Although the enrollment in medical programs satisfies the criterion of providing stability, it does not meet the criterion of most accurately capturing the number of children living in poverty. In comparing the two indicators, the four program areas identifies more children than the medical programs by the following margins:

- 22% in 1997;
- 27% in 1998; and
- 36% in 1999.

**Applying the LOEO criteria to the enrollment in four program areas.** Using an unduplicated count of school-age children whose families are participating in all four program areas provides a more accurate reflection of the number of children in poverty than either the current count of those in Ohio Works First or the alternative enrollment in the medical programs. It also satisfies LOEO's criteria for a new poverty indicator:

*Criterion 1: Does the indicator most accurately capture the number of school-age children from families whose incomes are at or below 100% of the federal poverty level?*

Enrollment in four program areas is the most comprehensive indicator available for capturing children who are living at or below the federal poverty level because:

- It uses a combination of seven ODHS programs, not just one (OWF), or three (Medicaid, Healthy Start, CHIP);
- It uses enrollment in programs that do not have time limits that remove participants regardless of their poverty status; and
- It counts only those families who are eligible for public assistance programs, removing those whose incomes rise above eligibility limits.

*Criterion 2: Is the indicator relatively stable over time while still reflecting the movement of families in and out of poverty?*

Enrollment in four program areas is stable because:

- It uses enrollment in a combination of seven ODHS programs, not just one (OWF);
- It counts only those families who are eligible for public assistance programs, removing those whose incomes rise above eligibility limits;
- Enrollment will not fluctuate considerably because only one of the seven programs has time limits that remove participants regardless of their poverty level;

- OWF participants who are enrolled in medical programs may stay enrolled in them, even after they are no longer eligible for OWF, thus keeping the children in those families in the count used to distribute DPIA funds; and
- Families that were not previously enrolled in medical programs may enroll once they leave OWF.

*Criterion 3: Can the indicator be collected on an annual basis for DPIA funding purposes?*

Enrollment in four program areas satisfies this criterion because:

- Program enrollment data are collected and maintained in a way that could be used in a DPIA distribution formula once some adjustments are made to the data; and
- The data can be isolated to count only those families with school-age children whose incomes are at or below 100% of the federal poverty level, even if the eligibility requirement for a particular program accepts families with incomes over 100%.

**Summary**

The enrollment from multiple poverty assistance programs results in the most accurate representation of the number of children ages 5 to 17 living in poverty. Enrollment in four program areas captures the children from families no longer eligible for OWF, but who remain eligible for the other programs such as Disability Assistance, Food Stamps, Medicaid, Healthy Start, or CHIP. With some adjustments, these data can be used in a DPIA distribution formula.

Substituting the enrollment in OWF with a new poverty indicator affects whether school districts are eligible for Disadvantaged Pupil Impact Aid and the actual funding they receive. These issues are further explored in Chapter III.

## Chapter III
## The Impact of the New Poverty Indicator

*This chapter describes the impact on school districts and on the overall state cost of substituting a new poverty indicator for Ohio Works First. Some practical implementation issues are discussed as well.*

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In order to understand the impact of substituting a new poverty indicator, it is important to understand the entire Disadvantaged Pupil Impact Aid (DPIA) funding system. After the DPIA funding system is explained, three poverty indicators are compared in terms of their effect on: a) the number of school districts that are eligible for DPIA funding; and b) the overall cost to the state.

To further demonstrate why LOEO chose the enrollment in four public assistance programs as the new poverty indicator, this option is contrasted with both Ohio Works First (OWF) and the enrollment in medical programs.

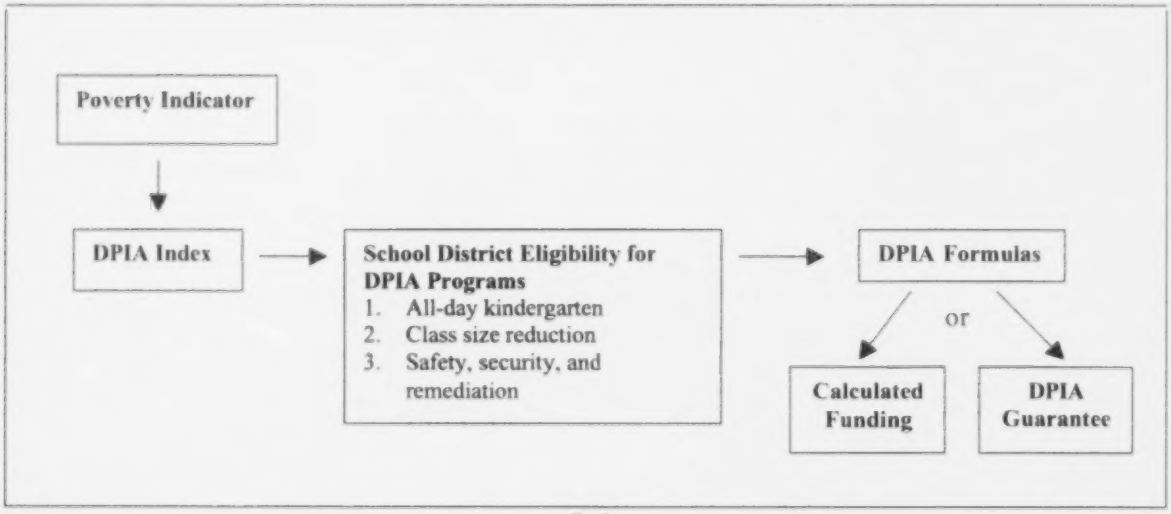
### DPIA funding system

The DPIA funding system has several components that work in combination to determine school district eligibility for DPIA programs and the funding they receive:

- A poverty indicator which is used as the basis for the DPIA index;
- The index that is used to determine school district eligibility for DPIA programs;
- Formulas that are used to calculate the amount of DPIA funding; or
- The DPIA "guarantee" that ensures districts at least their fiscal year 1998 amount of DPIA funding.

Exhibit 3 displays the relationship among these components.

**Exhibit 3**
**DPIA Funding System**



**Poverty indicator.** The poverty indicator is the number of school-age children from families living in poverty. It is divided by a school district's total enrollment to derive the percent of students in poverty.

**DPIA index.** The index was developed in 1998 to stabilize DPIA funding to school districts that resulted from declining OWF enrollment. It represents a school district's proportion of students in poverty relative to the statewide average proportion of students in poverty. Exhibit 4 explains how the DPIA index is calculated.

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**Exhibit 4**
**Calculating the DPIA Index**

**Step I**

| | | | |
|---|---|---|---|
| District % in poverty | = | District 5-year average OWF enrollment | ÷ District 3-year Average Daily Membership (ADM) |
| State % in poverty | = | Statewide 5-year average OWF enrollment | ÷ Statewide 3-year Average Daily Membership (ADM) |

**Step II**

| | | | |
|---|---|---|---|
| DPIA Index | = | District % in poverty | ÷ State % in poverty |

A school district with the same level of poverty as the state as a whole has an index of 1.0. A school district with greater poverty than the state average has an index above 1.0; a district with less poverty has an index less than 1.0. For fiscal year 1999, school district indices ranged from 0 to 4.14.

The DPIA index determines a school district's eligibility for the programs funded through DPIA. It is also embedded in the formulas used to calculate the amount of DPIA funding each district receives.

**DPIA programs.** DPIA consists of three programs: ***all-day kindergarten***; ***class size reduction***; and ***safety, security, and remediation***. School districts with a larger index are eligible for the most programs. Districts with an index equal to or larger than 1.0 are eligible for all three DPIA programs; districts with an index less than 1.0 are eligible for either safety, security, and remediation and class size reduction or just safety, security, and remediation. School districts with an index greater than 1.0 are subject to more restrictive spending requirements.

**DPIA formulas.** Up to six different formulas are used to determine the amount of funding each school district receives, depending on the number of DPIA programs for which it is eligible. The formulas are designed to provide districts with the highest index the most DPIA funding. Appendix D displays all of the calculations used in the different DPIA funding formulas.

**DPIA guarantee.** The DPIA guarantee was created to ensure that school districts receive at least the same amount of DPIA funding as they received in fiscal year 1998. The DPIA guarantee is the difference in fiscal year 1998 funding and the current year's funding. The DPIA guarantee, which filled in this "funding gap," cost less than 1% of total DPIA funding in fiscal year 1999.

**School district eligibility for DPIA programs based on a new indicator**

To illustrate the impact of using a new poverty indicator on the DPIA funding system, LOEO substituted both enrollment in medical programs and enrollment in four program areas in the formula to calculate new DPIA indices for each school district. When this was done, there was a shift in the distribution of poverty across the state, resulting in lower indices for some larger city school districts and higher indices for some smaller districts. A shift in its index may result in a change in a district's eligibility for DPIA programs.

Exhibit 5 compares the number of school districts that would be eligible for DPIA funding using the indices produced by enrollment in Ohio Works First, the medical programs, and the four program areas.

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**Exhibit 5**
**Number of School Districts Eligible for DPIA Programs**
**Using Ohio Works First, Medical Programs, and the Four Program Areas**
**Fiscal Year 1999**

| | Ohio Works First only [a] | Medical Programs [b] | Four Program Areas [b] |
|---|---|---|---|
| All-day kindergarten, Class size reduction, and Safety, security and remediation | 105 | 118 | 133 |
| Class size reduction and Safety, security, and remediation | 88 | 98 | 100 |
| Safety, security, and remediation | 139 | 141 | 153 |
| ***Total*** | ***332*** | ***357*** | ***386*** |

[a] Calculated using a five-year average enrollment (see Appendix E for an explanation)
[b] Calculated using a three-year average enrollment (see Appendix E for an explanation)

The enrollment in four program areas identifies more children living in poverty than either OWF alone or the medical programs. Because the identification of poverty is more widely distributed across the state, rather than primarily concentrated in large city school districts, there is an increase in the number of school districts that would be eligible for DPIA programs. The most significant gain (27%) is in the number of school districts eligible for all three DPIA programs -- all-day kindergarten, class size reduction, and safety, security, and remediation.

**Cost of using a new poverty indicator**

To determine the overall cost to the state, LOEO substituted the new district indices created by the enrollment in the medical programs and the four program areas into the formulas used to calculate DPIA funding. The cost of DPIA using these two indicators of poverty were compared to the cost using enrollment in OWF. These comparisons assume the following:

- The cost of OWF is the amount budgeted for DPIA for fiscal year 1999;
- The costs for the medical programs and the four program areas are ***budget estimates*** of what it would have cost in fiscal year 1999; and
- Under the medical programs and the four program areas, school districts would receive a guarantee of at least their actual fiscal year 1998 funding level.

Exhibit 6 compares the overall cost of DPIA funding using enrollment in Ohio Works First, the medical programs, and the four program areas.

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**Exhibit 6**
**Estimated Cost of DPIA Funding Using Ohio Works First (OWF), Medical Programs, and the Four Program Areas**
**Fiscal Year 1999**
**(in millions)**

| | Ohio Works First only [a] | Medical Programs [b] | Four Program Areas [b] |
|---|---|---|---|
| All-day kindergarten | $96.6 | $103.0 | $108.6 |
| Class size reduction | $138.3 | $139.9 | $139.6 |
| Safety, security, and remediation | $132.3 | $147.7 | $178.7 |
| DPIA guarantee | $1.1 | $1.7 | $2.0 |
| **Total DPIA** | **$368.3** | **$392.3** | **$428.9** |

[a] Calculated using a five-year average enrollment (see Appendix E for an explanation)
[b] Calculated using a three-year average enrollment (see Appendix E for an explanation)

As more school districts become eligible for the DPIA programs using a new poverty indicator, the amount necessary to fund these programs also increases. Substituting the enrollment in the four program areas would increase the total cost to the state by an estimated $60 million, a 17% increase over the funding produced using OWF as the poverty indicator. The enrollment in the medical programs would result in an estimated $24 million increase (7%).

In addition, as Exhibit 6 shows, when the enrollment in the four program areas is used as the new poverty indicator, the cost of the DPIA guarantee increases. When enrollment in OWF was used as the poverty indicator in fiscal year 1999, there were 42 school districts on the DPIA guarantee at a cost of $1.1 million. In contrast, there would be 16 districts on the DPIA guarantee at an estimated cost of $2 million using the enrollment in four program areas as the poverty indicator.

The amount of money necessary to fund the DPIA guarantee increases, even with fewer school districts, because of the shift in the distribution of poverty across the state. While the more widespread identification of poverty makes more school districts eligible for DPIA funding, it also lowers funding for some districts because of changes in their DPIA index.

For example, a school district that used to have 1.5 times as much poverty as the state average may now have less than the state average. This would cause a significant reduction in that district's DPIA funding. As a result, more funding is required for the DPIA guarantee to fill this gap.

In addition, since school districts are guaranteed only their fiscal year 1998 funding level, if a district's loss in DPIA funding does not drop as low as its 1998 level, there currently is no mechanism to make up for its lost DPIA dollars. Some of the state's largest school districts may lose funding without going on the DPIA guarantee when the new poverty indicator is substituted for OWF.

It is important to note that these overall figures are estimates of what it would cost to fund the DPIA programs at the maximum level. These budget estimates assume enough funding to provide all-day kindergarten to 100% of eligible students. The funding districts may actually receive, however, could be less than what is budgeted because some districts may choose not to provide all-day kindergarten to all of their students.

**Summary**

Adopting a more inclusive poverty indicator increases the number of school districts eligible to receive funding for DPIA programs and increases the total cost to the state. Some larger school districts may lose some DPIA funds because they no longer have such relatively high proportions of students in poverty when compared to the state as a whole.

**Implementation issues**

If the enrollment in the four programs areas is substituted for OWF as the new indicator of poverty, several practical problems would need to be addressed.

**Obtaining the necessary data.** To consider a new poverty indicator, LOEO requested special data runs from the Ohio Department of Human Services (ODHS). In order to isolate the *unduplicated* enrollment in these four program areas for families with children ages 5 to 17, and to only count those families with incomes at or below 100% of the federal poverty level, new computer programming was needed within ODHS.

It took a great deal of time and effort for both ODHS and LOEO to obtain accurate and useable data to analyze the possibilities for a new indicator of poverty.

ODHS would have to make extracting these data a routine part of its practices to produce the data on an annual basis.

**Assigning participating children to school districts.** Each year, there are substantial numbers of children participating in OWF whose school districts are unknown. To ensure that each school district receives the requisite amount of DPIA funding, great efforts are made by the Ohio Department of Education, the Ohio Department of Human Services, county departments of human services, and school districts to accurately assign OWF recipients to the appropriate school district. The goal is for 98% of the children to be properly assigned.

County departments of human services and school districts work closely to verify the "home" district of OWF recipients, checking each zip code in question to so see where it falls in terms of school districts' boundaries. School districts settle any conflicts over assignments, but ultimately it is up to the county departments of human services to make the final determination.

This assignment process begins in October and ends by mid-February each school year. As a result, there is nearly a two-year turnaround time before the data can be used for distributing DPIA funding. Exhibit 7 displays the timeframes for verifying, certifying, and using OWF data as the basis for DPIA funding.

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**Exhibit 7**
**Process for Assigning School Districts of OWF Participants**

| Assignment of OWF Counts Begins | OWF Counts Certified | Year in which the Certified Counts Are Used for DPIA Funding |
|---|---|---|
| October 1996 | February 1997 | Fiscal Year 1998 |
| October 1997 | February 1998 | Fiscal Year 1999 |
| October 1998 | February 1999 | Fiscal Year 2000 |
| October 1999 | February 2000 | Fiscal Year 2001 |
| October 2000 | February 2001 | Fiscal Year 2002 |

Currently, this assignment process is used *only* for students enrolled in OWF - there is nothing comparable for the programs comprising the other three program areas: food assistance; disability assistance; and medical assistance. In fact, in the data LOEO obtained from ODHS for this study, as many as 47% of the children participating in the medical programs were not assigned to a school district. To assign students to school districts for this study, LOEO developed a special allocation procedure that is explained in Appendix E.

In order to use the enrollment in the four program areas as the new poverty indicator, the same level of effort for assigning students to school districts would have to be undertaken for food assistance, disability assistance, and medical assistance

that is currently used to assign OWF participants. County departments of human services could also make sure that caseworkers designate the correct school district on the forms used to enroll eligible families.

Finally, ODE spends considerable time correcting the school district information retrieval numbers (IRN) and entering the program enrollment data ODHS currently provides on paper forms. If ODHS were to provide these data electronically, ODE could eliminate the time it currently spends on data entry. In addition, ODE could regularly update ODHS when school districts consolidate, change their names, or change IRN numbers.

**Using schools to enroll children in medical programs.** As part of the strong outreach efforts noted previously, the federal government is encouraging public schools to enroll eligible children in Medicaid and CHIP. During the 1998-1999 school year, the U.S. Department of Education began a back-to-school campaign called *Insure Kids Now! Through Schools.*

In fact, the effort to encourage public schools to enroll children in Medicaid and CHIP is so strong that the U.S. Departments of Education and Health and Human Services, a coalition of educational associations, and other health care advocates have formed a partnership to make school-based outreach a continuous process.

In addition, the U.S. Department of Education contacted all 15,725 district superintendents in the U.S. inviting them to join a national coalition to encourage schools and communities to enroll children in *state* health insurance programs. If medical programs are included in the poverty indictor used to disperse state DPIA funds, school districts have a strong incentive to participate in the effort to enroll children in Medicaid, Healthy Start, and CHIP.

**Summary**

In order for the unduplicated count of school-age children in four public assistance program areas to be used for DPIA funding on an annual basis, the Ohio Department of Human Services will have to make obtaining these data a routine part of their business. Moreover, the current process used to identify the school district of children in Ohio Works First will have to be used for those in all four program areas.

## Chapter IV
## Conclusions and Recommendations

*This chapter describes LOEO's conclusions and recommendations regarding the selection of a new indicator of poverty to serve as the basis for distributing Disadvantaged Pupil Impact Aid (DPIA) to school districts.*

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**Selecting a new poverty indicator**

Since 1992, Ohio Works First (OWF) and its predecessor Aid to Dependent Children (ADC) have been progressively less reflective of the actual number of children living in poverty. By substituting the enrollment from multiple public assistance programs, a more accurate representation of the number of school-age children in poverty is obtained.

The unduplicated enrollment of children in four program areas captures children ages 5 to 17 whose families receive cash assistance (OWF), food assistance, disability assistance, or medical assistance (Medicaid, Healthy Start, and Children's Health Insurance Program). This approach is especially effective in counting the children in families who are no longer eligible for Ohio Works First, but who remain eligible for other programs such as Food Stamps or Healthy Start.

The *enrollment in all four program areas* satisfies LOEO's criteria for selecting a new indicator of poverty:

1. It most accurately captures the number of children ages 5 to 17 from families at or below 100% of the federal poverty level than other possible indicators pursued by LOEO.

2. It is relatively stable over time because it includes multiple programs as well as programs that are not susceptible to time limits, while still reflecting families' movement in and out of poverty.

3. With some adjustments, the necessary data can be collected on an annual basis and used for distributing DPIA funding to school districts.

**LOEO recommends:**

The Ohio General Assembly adopt the unduplicated enrollment of school-age children in *four public assistance program areas* as the poverty indicator for distributing Disadvantaged Pupil Impact Aid to school districts.

**Adjusting the DPIA index and formulas**

When a new poverty indicator is substituted for OWF, more school districts become eligible for DPIA funding. This is a result of the new indicator identifying a wider distribution of poverty across the state. However, this change in the distribution of poverty, as reflected in the DPIA index, may cause several large city school districts to receive less funding than they received in fiscal year 1999. Unless their funding falls to below their fiscal year 1998 level, these districts would not be on the DPIA guarantee.

**LOEO recommends:**

The Ohio General Assembly form a DPIA Task Force to address the following questions raised as a result of using a new poverty indicator:

- Is the impact of the new poverty indicator on DPIA funding to school districts acceptable?
- Do the DPIA index and the various formulas used to calculate DPIA funding need to be adjusted?

Both technical and policy staff would be helpful for these deliberations. For example, staff from the Legislative Budget Office, the majority and minority caucuses, the Office of Budget and Management, the Ohio Department of Education, and the Legislative Office of Education Oversight (LOEO) could be included. The LOEO analyses could be used as the starting point of the deliberations.

**Implementation issues**

In order to use the enrollment in four program areas as the new poverty indicator for distributing DPIA funds to school districts, the Ohio Department of Human Services (ODHS) would have to develop new routines to produce the needed data on an annual basis. In addition, multiple parties would have to cooperate in assigning children from all four program areas to the appropriate school district.

**LOEO recommends:**

- The Ohio General Assembly require the Ohio Department of Human Services (ODHS) to establish the necessary practices to produce the annual data needed to substitute enrollment in four program areas as the measure of poverty for DPIA funding purposes. The necessary data includes an unduplicated count of children ages 5 to 17 whose family income is at or below the federal poverty level.
- Local school districts and county departments of human services verify the school district assignment of children participating in all four program areas in the same manner as they currently verify the school district of Ohio Works First participants.

# Appendices

## Appendix A
## DPIA Spending Restrictions

Under the new Disadvantaged Pupil Impact Aid (DPIA) spending requirements outlined in Am. Sub. H.B. 650 and Am. Sub. H.B. 770, school districts with a DPIA index less than 1.0 must spend at least 70% of their DPIA funding on any of the following 13 categories. Districts may place the remaining 30% in their general fund.

1. The purchase of technology for instructional purposes;
2. All-day kindergarten;
3. Reduction of class sizes;
4. Summer school remediation;
5. Dropout prevention programs;
6. Guaranteeing that all third graders are ready to progress to more advanced work;
7. Summer education and work programs;
8. Adolescent pregnancy programs;
9. Head Start or preschool programs;
10. Reading improvement programs described by the Ohio Department of Education;
11. Programs designed to ensure that schools are free of drugs and violence and have a disciplined environment conducive to learning;
12. Furnish free of charge, to pupils living in families participating in Ohio Works First, materials used in courses;
13. School breakfast programs.

School districts with an index greater than 1.0 must first use their DPIA funding to provide all-day kindergarten and then safety, security, and remediation. Any remaining DPIA funding must be applied to increasing the amount of instructional attention to students in kindergarten through grade three.

## Appendix B
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# Appendix C
# Possible Indicators of Poverty

LOEO considered a number of different statistics to use to as a basis to distribute Disadvantaged Pupil Impact Aid (DPIA) funding to school districts. The flaws in these measures, however, make them inadequate to use as an indicator of poverty for families with school-age children.

**Five-year average of Ohio Works First (OWF)**

As a method of compensating for declining OWF enrollments, this approach is currently used to calculate the DPIA index. A five-year average allows years when OWF enrollments were higher to be included in the formula. However, this is a short-term solution, because as the numbers continue to drop and enrollment for each year of the five-year period become lower, the benefits of this approach are gradually eliminated.

**Free and Reduced Priced Lunch**

Initially, enrollment of children in the federal Free and Reduced Priced Lunch program seemed to be an attractive alternative for a poverty indicator. Because these numbers are self-reported, however, a substantial number of over-income children are included in these counts, and there is no method of extracting them. In addition, the number of students in this program drops dramatically from elementary grades to high school because of the stigma attached to the program.

**Census data**

Census data are available only every ten years, causing them to be out-of-date certainly by the middle of the decade. In addition, according to the Office of Strategic Research of the Ohio Department of Development, the poverty estimates by school districts are in error by as much as 60%. A new statistical model would have to be developed to derive these poverty estimates by school district to solve this problem.

**Income tax data**

The primary flaw with income tax data is that a substantial portion of the children upon whom DPIA focuses are from families who are "exempt" from filing income taxes because their incomes are too low. In addition, incomes in the range of $0 to $5,000 include older children from middle to upper middle-class families who file their own tax returns. The tax returns filed by these older children distort the amount of income that should be considered for these households. There are also problems with addresses: the use of different last names from a single household; inability to identify similar addresses due to spelling errors; and the use of abbreviations in last names. Without accurate addresses, children cannot be assigned to the appropriate school districts for DPIA funding purposes.

**Federal Earned Income Credit (EIC)**

Although this program targets low-income families, only those with high enough incomes are required to file federal income tax returns. In other words, a significant number of the targeted children are from families whose incomes are too low to file federal income taxes. In addition, only those who are working are eligible for this credit, thereby missing a substantial proportion of individuals who do not have jobs. Moreover, distinctions cannot be made between dependents in these data to accurately attribute them to a particular family. Other problems include the fact that approximately 5% of EIC filers are from the previous year and the addresses of approximately 15% of the people receiving this credit cannot be identified, thereby preventing their children from being assigned to a specific school district.

# Appendix D
# Disadvantaged Pupil Impact Aid (DPIA) Calculations

The Disadvantaged Pupil Impact Aid (DPIA) funding system is made up of a variety of calculations, starting with the "DPIA index." The index is first used to determine which DPIA programs a school district is eligible for and then both the index and the number of children identified by the poverty indicator (e.g., Ohio Works First) reappear throughout the various formulas to determine the exact amount of funding a district receives. (The index and the poverty indicator are noted in bold in the following formulas to highlight their role in the funding system.)

### DPIA index

The index represents a school district's percent of families in poverty relative to the statewide average percent of families in poverty. It is calculated as follows:

**Step I**

District % in poverty = District 5-year Average **Ohio Works First (OWF) enrollment** ÷ District 3-year Average Daily Membership (ADM)

State % in poverty = Statewide 5-year Average **Ohio Works First (OWF) enrollment** ÷ Statewide 3-year Average Daily Membership (ADM)

**Step II**

DPIA Index = District % in poverty ÷ State % in poverty

### School district eligibility for DPIA programs

School districts with the highest concentration of poverty, or an index greater than or equal to 1.0, are eligible for the greatest proportion of DPIA funding. These districts receive funding for all-day kindergarten, class size reduction, and safety, security, and remediation programs. Districts with a DPIA index greater than or equal to .6 but less than 1.0 receive funding for safety, security, and remediation and class size reduction. Districts with a DPIA index greater than or equal to .35 but less than .6 only receive funding for safety, security, and remediation:

| DPIA index | DPIA programs |
|---|---|
| = 1.0<br>(or ADM of 17,500) | All-day kindergarten<br>Class size reduction<br>Safety, security, and remediation |
| = .6 and < 1.0 | Class size reduction<br>Safety, security, and remediation |
| < .6 and = .35 | Safety, security, and remediation |

**All-day kindergarten (ADK)**

School districts with a DPIA index greater than or equal to 1.0 or 17,500 average daily membership (ADM) are eligible for DPIA all-day kindergarten funding, which is calculated as follows:

| ADK allocation = | ADK formula ADM* × ADK percent** × Formula amount (base cost funding) |
|---|---|

* Defined as .5 ADM.

** Defined as the percent of kindergarten students in the district who will be receiving kindergarten all day.

**Class size reduction (CSR)**

The formulas used to calculate class size reduction funding are designed to provide districts with additional teachers to reduce class sizes in grades K-3 according to the size of their DPIA index. In other words, districts with the highest indices, and thus the most poverty, receive funding for the highest number of additional teachers; districts with the lowest indices, or the lowest level of poverty, receive the smallest number of additional teachers.

School districts with a DPIA index greater than or equal to .6, but less than 2.5 are eligible for DPIA funding for class size reduction, which is calculated as follows:

| | | |
|---|---|---|
| **Step I**<br>District Formula Teachers needed per 1,000 students | = | 43.478 (formula teachers) * + ((District **DPIA index** - .6) + 1.9) × 23.188 (teachers per 1,000 students) |
| **Step II**<br>Number of teachers required | = | District Formula Teachers needed per 1,000 students × District K-3 ADM + 1,000 |
| **Step III**<br>District's assumed number of teachers | = | (43.478 formula teachers per 1,000 ADM × District's K-3 ADM) + 1,000 |
| **Step IV**<br>Teachers needed for district DPIA calculation | = | District required teachers - district assumed number of teachers |
| **Step V**<br>District's CSR allocation | = | Teachers needed by district × average teacher salary** |

* Number of teacher needed for a 23:1 student teacher ratio.

** Derived from a combination of salaries of beginning and experienced teachers from selected school districts.

For those school districts with a DPIA index greater than or equal 2.5, the amount of funding for class size reduction is calculated as follows:

| | | |
|---|---|---|
| **Step I** | | |
| District formula teachers required | = | 66.667 formula teachers * + (District **DPIA index** - .6) + 1.9) × 23.188 (teachers per 1,000 students) |
| **Step II** | | |
| District's assumed number of teachers for a 23:1 ratio | = | 43.478 formula teachers needed per 1,000 K-3 × District K-3 ADM ÷ 1,000 |
| **Step III** | | |
| Number of teachers required | = | District's formula teachers needed – district's assumed number of teachers |
| **Step IV** | | |
| District's CSR allocation | = | Teachers needed by district × average teacher salary** |

* Number of teacher needed for a 15:1 student teacher ratio.

** Derived from a combination of salaries of beginning and experienced teachers from selected school districts.

**Safety, security, and remediation programs (SSR)**

School districts with a DPIA index greater than or equal to .35, but less than 1.0 are eligible for funding for safety, security, and remediation programs, which is calculated as follows:

| | | |
|---|---|---|
| SSR allocation | = | 5-year Average **OWF enrollment** × $230 |

School districts with a DPIA index greater than or equal to 1.0 have their safety, security, and remediation program funding calculated as follows:

| | | |
|---|---|---|
| SSR allocation | = | 5-year Average **OWF enrollment** × $230 × **DPIA index** |

# Appendix E
# LOEO Calculations and Procedures

This technical appendix provides detailed explanations of calculations and other procedures referred to in the text of this report.

**Obtaining poverty program enrollments**

LOEO obtained data for the enrollment in four public assistance program areas and the enrollment in the medical programs from the Ohio Department of Human Services Client Registry Information System-Enhanced (CRIS-E) computer system. This is Ohio's statewide system for determining welfare eligibility and tracking the recipients of welfare benefits.

The four Ohio Department of Human Services (ODHS) program areas actually combine in various ways to translate into seven ODHS programs:

1. Ohio Works First (OWF) with Food Stamps;
2. Ohio Works First without Food Stamps;
3. Food Stamps without OWF;
4. Disability Assistance (DA) but no OWF;
5. Healthy Start;
6. Children's Health Insurance Program (CHIP); and
7. Medicaid only.

The approach that ODHS used to "pull" these data from the CRIS-E system will help explain who is included in the unduplicated count of children enrolled in the various programs.

First, everyone receiving OWF with Food Stamps and OWF without Food Stamps were counted. Since OWF and its predecessor, Aid to Dependent Children, were the original basis of Disadvantaged Pupil Impact Aid (DPIA), all OWF enrollments were included.

Next, all recipients of Food Stamps, who were not members of the first two groups, were selected. Recipients of Disability Assistance who were not members of the first three programs were then added. Healthy Start recipients who were not members of the first four programs were added next, and individuals enrolled in CHIP but not Healthy Start or the other four programs were then selected. As the last program added to the unduplicated enrollment, Medicaid enrollment is a "residual" figure, because it includes everyone remaining who is not enrolled in the other six programs.

The enrollment in the three medical programs includes all children enrolled in Medicaid, Healthy Start, or CHIP, regardless of whether they are also enrolled in the other ODHS poverty programs. However, any child enrolled in other ODHS poverty programs, but **not** the medical programs, is omitted from this count.

**Assigning students to school districts for the LOEO analyses**

There is a successful process in place for assigning children whose families participate in Ohio Works First to the appropriate school districts. However, this is not the case for the other ODHS programs, where the school district of many participating children is unknown. For example, across all programs, there were 109,782 unassigned children in 1999.

The following table illustrates the percentage of students who were assigned to a school district in the data LOEO received for these analyses.

**Percentage of Students Assigned to School Districts**

| **Ohio Department of Human Services Programs** | **1997** | **1998** | **1999** |
|---|---|---|---|
| OWF (with Food Stamps) | 94% | 96% | 92% |
| OWF (without Food Stamps) | 94% | 97% | 94% |
| Food Stamps | 76% | 81% | 79% |
| Disability Assistance | 60% | 63% | 61% |
| Healthy Start and CHIP | 55% | 59% | 53% |
| Medicaid | 63% | 66% | 59% |

To conduct its analyses, LOEO used the OWF student assignment rates from fiscal year 1997 to assign students in the four program areas to school districts. For example, if a given county had 20 students who were originally unassigned and school district "A" in that county received 15 of them for OWF purposes, this 15:20 ratio was used to assign enrollment in the four program areas and the medical programs to that school district. The same procedure was used to assign children to the proper school districts for the medical programs as the poverty indicator.

Because a substantial number of students were allocated to school districts, it is important that the figures reported in Exhibits 5 and 6 are viewed as estimates. Using actual data may result in somewhat different costs. Although LOEO believes that the statewide cost estimates are reasonable, the data for individual school districts will be more variable because of the allocation procedure. Another possible source of variability could include improvements in the ODHS computer programming that was done specifically for this study.

**Comparing the enrollment in four program areas and the medical programs to Ohio Works First**

LOEO was only able to obtain three years of data for the enrollment in the four program areas and the enrollment in the medical programs. Because the Medicaid data from the Ohio Department of Human Services CRIS-E system is not reliable for years prior to 1997, LOEO was only able to obtain data for 1997, 1998, and 1999. Therefore, instead of using a **five-year average** number of children in poverty for Disadvantaged Pupil Impact Aid calculations, as the current formula stipulates, LOEO used a **three-year average** number of children in poverty divided by a **three-year average** number of total students in the school district.

The number of districts eligible for DPIA and the amount of funding produced by the three-year average enrollment figures were then compared with similar figures produced by the fiscal year 1999 five-year average Ohio Works First enrollments. These comparisons were made simply because eligibility was determined, and actual DPIA funding was distributed to districts, using the five-year average of OWF enrollments.

# Comments

## Committee Comments

- **Representative J. Donald Mottley**

# Ohio House of Representatives

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Joint Committee on Agency Rule Review
Finance and Appropriations
Primary and Secondary Education Subcommittee
State Government

TO: Legislative Committee on Education Oversight

FROM: Representative Don Mottley

DATE: April 4, 2000

RE: Representative Mottley's remarks to append to "A New Poverty Indicator to Distribute Disadvantaged Pupil Impact Aid"

I am pleased with the quality of Legislative Office of Education Oversight's work on this report. When we look at the policy implications of this report, however, I feel that caution is in order.

At present, we use a poverty measure as a method of distributing Disadvantaged Pupil Impact Aid among school districts. The perception is that districts that have a higher concentration of poverty using that measure also have students with higher educational needs. Actually, I believe (and I think research will support) that poverty in of itself is not a particularly significant indicator of educational need, particularly as between urban and rural districts. Rather, poverty is an indicator that is correlated (although not perfectly) with such factors as family instability, parents' education and income, and other aspects of these students' background outside of school. When comparing like districts, such as urban districts, relative poverty measures are probably very accurate. When we to get to a more inconclusive measure of poverty, however, I think that we may have a risk of overstating relative educational needs of poor students in rural areas (even if they do come from stable families and have exceptional educational achievement) versus those from urban areas (who, in Ohio and in the nation, usually have greater difficulty getting to acceptable educational standards).

Before we use this new indicator as a method to distribute DPIA funds, it becomes critically important that we assess the relationship between this indicator and the educational needs of students in districts of different types. That research has not been done at this time, but will need to be done before we can use this indicator or a modification of it in lieu of our current approach to distribute Disadvantaged Pupil Impact Aid.



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